

# FMS CUSTOMER PARTICIPATION - A UK PERSPECTIVE

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# FMS CUSTOMER PARTICIPATION

- DFAR 225.7304 FMS Customer Involvement
- FMS customer should be encouraged to participate with USG to:
  - Develop specifications
  - Establish Delivery Schedules
  - Identify special warranty provisions
  - Identify special requirements unique to the FMS customer
  - Make price/timescale/technical tradeoffs

# CUSTOMER PARTICIPATION - CONSTRAINTS

- DoD Contracting officer cannot disclose any contractor proprietary data – including cost and pricing data without authorisation from the company
- Degree of customer participation in contract negotiations is left to the discretion of the DoD contracting officer
- DoD will provide sufficient information, after consultation with the contractor, to demonstrate reasonableness of contract price

# CUSTOMER PARTICIPATION – UK DRIVERS

- All UK MoD acquisitions must demonstrate best VFM
- Business cases are subject to stringent scrutiny procedures and all programme stakeholders must be content that any proposed acquisition meets their requirements.
- We therefore need access to all relevant technical, programme and financial data and to ensure we are able to assess that information in a meaningful way.
- Traditionally FMS has fallen short in this area. As a result MoD UK's acquisition route of choice has almost always defaulted to DCS –competitive if available.
- The Sec Def Policy and DFAR amendment on customer participation is welcome but still leaves room for improvement.

# CUSTOMER PARTICIPATION – AREAS FOR IMPROVEMENT

- Plenty of scope to interpret/implement the directive in a negative way
- Process of education still needs to be improved - there appears to be widespread ignorance of the directive at lower levels, resulting in FMS customers having to fight for access.
- The directive still needs to be fully tested

# CUSTOMER PARTICIPATION – UK APPROACH

- UK is a long time advocate of FMS transparency.
- Have had some limited success even before DFAR change
- Key to FMS success is in establishing cooperative relationship and clarity of communication between our respective staffs

# CUSTOMER PARTICIPATION – UK EXPERIENCE TO DATE (1)

- UK Astute project embarked on a significant FMS programme in early 2003 (c\$50M)
- Novel in that the LOA covered the provision of technical support from a US contractor direct to the UK Prime Contract
- The programme has evolved in an open environment
- IPT and NAVSEA have established good working relations with significant IPT access to the US supplier
- As a result many of the perceived technical, contractual and financial risks have been reduced



# CUSTOMER PARTICIPATION – UK EXPERIENCE TO DATE (2)

- MBITR Radios for UK Special Forces
- Case Value \$13M
- Requirement through USASAC. Supplier Thales Maryland
- Full and open access to supplier prior to LOR submission and during LOA process
- IPT were allowed access to a substantial amount of financial information
- Allowed IPT to ensure requirement was met in the most effective and cost efficient manner - particularly for follow on support (one option being considered in the business case was to have a repair facility in the UK at Thales company supplied substantial information on failure rates, repair costs etc to allow IPT to make an informed decision)
- Co-operation from US Army and supplier was outstanding



# CUSTOMER PARTICIPATION – FUTURE PROGRAMMES

- The UK is currently embarking on a major acquisition of USN capability. A UK MoD sponsored international competition is not possible and we will be directed down the FMS route through NAVSEA.
- The UK Integrated Project Team (IPT) will face many challenges and will test fully the boundaries of this initiative.
- Access to robust technical and financial data will be essential for the IPT to satisfy our national requirements.

# CUSTOMER PARTICIPATION – SUMMARY

- An important initiative
- Step in the right direction
- Premature to judge whether it will live up to its potential
- Key will be willingness of desk officers to interpret and implement directive in a cooperative and consistent manner